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## Industrial Development Board

Thirtieth session

### SUMMARY RECORD OF THE 3rd MEETING\*

Held at the Vienna International Centre, Vienna  
on Tuesday, 21 June 2005, at 10 a.m.

*President:* Mr. STELZER (Austria)

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\* No summary record was issued for the private section of the meeting.

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*The meeting was called to order at 10.20 a.m.*

**RECOMMENDATION OF A CANDIDATE FOR THE POST OF DIRECTOR-GENERAL (IDB.30/19 and Add.1, IDB.30/20)**

1. **Mr. RAMZY** (Egypt), speaking on behalf of the African Group, said that the Group wished to consolidate and extend the important positive changes that had taken place in UNIDO under the leadership of Mr. Magariños, whose effective management had made programme delivery more efficient, particularly in Africa. For that reason, the Group was nominating an African candidate, Mr. Yumkella, who had the requisite qualities and whose credentials were widely recognized: he had acquired extensive experience in the area of industrial development as a minister in Sierra Leone and as a staff member of UNIDO, both in the field and at headquarters, and, more importantly, he had a vision for the organization that the Group shared. No African had held the post of Director-General since UNIDO had become a specialized agency of the United Nations, and the Group appreciated the fact that, following Iraq's withdrawal of its candidate, no candidates from other regions were contesting the election. Moreover, Mr. Yumkella was the only candidate endorsed by the African Union.

2. **Ms. TANKEU** (African Union) said that the African Union maintained a deep interest in UNIDO's programmes and recognized the importance of the Organization's mandate for the development and modernization of the economies of African countries. It welcomed the commitment of the international community to debt cancellation and the renewed effort to promote sustainable economic development and better trading terms for those countries. UNIDO's work on private sector-led industrial development was crucial to enable African countries to capitalize on globalization by building production capacity.

3. Mr. Yumkella was the African Union's sole official and consensus candidate for the post of Director-General, and the collective endorsement of his candidacy expressed the will of African leaders. She called on delegates and development partners to vote for Mr. Yumkella because he had the experience, maturity and technical knowledge needed to manage UNIDO; he had demonstrated an exceptional ability to build consensus across all regions; and he would transform UNIDO into a more useful and relevant organization capable of helping all developing countries and countries in transition to face the challenges of the twenty-first century.

4. **Mr. OMOTADE** (Nigeria) expressed appreciation to the outgoing Director-General for his dedication and excellent service to UNIDO, which had steered the Organization through trials and rendered it

viable and forward-looking. His country, which currently held the Chairmanship of the African Union, asked Member States to support the nomination of Mr. Yumkella as a worthy successor to Mr. Magariños. The Union had endorsed his candidature in view of his knowledge, solid experience of UNIDO's functions, eminent qualifications and suitability for the post. He welcomed the fact that the post of Director-General was set to be filled by an African for the first time since UNIDO had become a specialized agency in 1985.

5. Electing Mr. Yumkella, who would effectively harness the Organization's strengths and conscientiously coordinate the interests of all Member States, donors and other stakeholders, would bring much-needed benefits to UNIDO in realizing its objectives in the new millennium. To tackle the challenges, the Organization needed a resourceful, dynamic and far-sighted Director-General. Mr. Yumkella, as an active participant in UNIDO's reform process, would be best placed to consolidate the gains from that process and to chart, in collaboration with Member States, promising horizons for the Organization. As the least industrialized continent, Africa appreciated UNIDO's support for developing countries' industrial development programmes and for that reason the African Union endorsed the nomination of Mr. Yumkella as a candidate who would command universal confidence and support.

6. **Mr. MIGEREKO** (Observer for Uganda) thanked the other regional groups for allowing Africa the opportunity to provide the next Director-General of UNIDO. Three candidates were being presented because the process of consultation of the Heads of State and Government of the African Union had revealed varying perceptions about the skills and experience needed for the post. The plurality of candidates made for a wider, democratic choice. Mr. Rwendeire was the best candidate because he would provide a smooth transition and ensure change with continuity. As Managing Director of the Programme Development and Technical Cooperation Division, he served directly under the Director-General. The success of the reform process, reflected in the substantial increase in technical cooperation delivery and the introduction of results-based management, was attributable in part to his leadership and technical stewardship.

7. The challenges UNIDO faced had to be tackled in the context of United Nations reform and the report of the Secretary-General, "In larger freedom: towards development, security and human rights for all" (A/59/2005). UNIDO needed to build on its record of successful reforms in order to carve out its own role in strengthening multilateralism. That required a strong

leader whose vision, experience and integrity were respected by all stakeholders. With his long parliamentary, ministerial and academic experience, Mr. Rwendeire had the necessary negotiating, political and diplomatic skills to guide the Organization, and it was therefore to be hoped that Member States would support his candidature.

8. **Mr. NGENO** (Kenya) said that there was no agreed consensus candidate from the African Union. The "endorsement" referred to by the representatives of Egypt, on behalf of the African Group, and Nigeria had been obtained by means of a flawed procedure and was invalid.

9. The candidate from Kenya, Mr. Rana, was eminently qualified for the position of Director-General of UNIDO. Currently a Deputy Director-General of the World Trade Organization (WTO), he had played a leading role in the integration of trade and development and had demonstrated the vision and ability required to work for the achievement of the relevant Millennium Development Goals. With Mr. Rana as Director-General, UNIDO would be able to maintain its core competencies and define its unique position within the changing United Nations system. He called upon the Board to support Mr. Rana's candidature.

*The public meeting was suspended at 10.45 a.m. and resumed at 12.25 p.m.*

10. **The PRESIDENT** invited the Board to consider the following draft decision:

"The Industrial Development Board, acting in accordance with Article 11.2 of the Constitution, decides to recommend to the General Conference the appointment of Mr. Kandeh K. Yumkella as Director-General of UNIDO for a period of four years from 8 December 2005 or until the Director-General to be appointed at the thirteenth regular session of the General Conference assumes office, whichever is later."

11. *The draft decision was adopted.*

12. **The PRESIDENT** invited the Board to consider the following draft decision:

"The Industrial Development Board, further to its decision [IDB.30/Dec. ...], and acting in accordance with rule 103 of the rules of procedure of the General Conference, decides to recommend to the Conference for approval the draft contract annexed to the present draft decision, which establishes the terms and conditions of appointment of the Director-General, including the salary and emoluments attached to the office."

13. *The draft decision was adopted.*

#### **REPORT OF THE PROGRAMME AND BUDGET COMMITTEE** (*continued*) (IDB.30/22)

- (a) **INTERIM REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2004-2005** (*continued*) (IDB.30/2 and Add.1, IDB.30/8, IDB.30/9)
- (b) **FINANCIAL SITUATION OF UNIDO** (*continued*) (IDB.30/10, IDB.30/13; IDB.30/CRP.8)
- (c) **SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES FOR THE BIENNIUM 2006-2007** (*continued*) (IDB.30/7)
- (d) **WORKING CAPITAL FUND FOR THE BIENNIUM 2006-2007** (*continued*) (IDB.30/3)
- (e) **APPOINTMENT OF AN EXTERNAL AUDITOR** (*continued*) (IDB.30/5 and Add.1-4)
- (f) **SECURITY ENHANCEMENTS AND PROPOSED NEW CONFERENCE FACILITIES** (*continued*) (IDB.30/11, IDB.30/12 and Add.1 and Add.2)
- (g) **MOBILIZATION OF FINANCIAL RESOURCES** (*continued*) (IDB.30/2)
- (h) **FINANCIAL REGULATIONS** (*continued*) (IDB.30/4)

#### **IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR** (*continued*) (IDB.30/8)

14. **Mr. AJMAL** (Comptroller General) said that, as confirmed in the interim report of the External Auditor (IDB.30/8), the Secretariat had taken the necessary actions to implement the External Auditor's recommendations. Most recommendations made in earlier reports had already been implemented to the satisfaction of the auditors and the Secretariat would continue to work closely with them to implement the remaining recommendations, taking into account prudent management policies and best practices worldwide.

15. Turning to specific points raised by representatives during the previous meeting, he said that the recommendation on a fraud awareness and prevention policy had been fully implemented through the recent issuing of a Director-General's Bulletin, which drew upon best practices both within and outside the United Nations system. The Bulletin had been distributed to all staff and permanent missions.

16. No audit opinion had been expressed on the financial statements because, in accordance with the Organization's Financial Regulations, the External

Auditor expressed an opinion on the financial statements only at the end of each biennium, the next such opinion was therefore due in 2006 for the biennium 2004-2005.

17. Referring to remarks made by the representative of the Group of 77 and China on the need for an objective analysis of the skills and resources available within the Internal Oversight Group and the request that the results of such an analysis should be shared with Member States, he said that, in view of the concerns expressed by the previous External Auditor and by Member States, about the work of the previous Internal Oversight Group, the current External Auditor had been paying particular attention to the activities of the Office of the Comptroller General as a whole. Among other things, the interim report confirmed that the Office had made significant progress in fostering the principles of good corporate governance, with emphasis on integrity and accountability. The External Auditor had also highlighted some initiatives of the Office that were of direct relevance to UNIDO's technical cooperation activities, such as the management control framework, the preparation of the new technical cooperation guidelines and the system of evaluations, which formed an integral part of the technical cooperation cycle and provided independent evidence of results achieved. However, the External Auditor had also identified some areas for improvement in the work of the Internal Audit Group, and action was being taken on that front. The External Auditor was best placed to undertake the requested analysis of skills and resources in an objective manner, and it would be brought to his attention.

18. Referring to a statement made by the representative of Japan, he said that the Office of the Comptroller General was responsible for a wide range of functions which included ensuring the Organization's financial integrity, monitoring its activities and operations, providing policy advice, evaluating technical cooperation and global forum activities, conducting internal audit and introducing results-based management. However, a simple comparison of the Office's mandated activities with equivalent functions in other organizations was not feasible owing to differences in organizational structures and activities.

19. In his interim report, the External Auditor had confirmed that the Office had been carrying out its mandate effectively within the limited resources available, but had suggested that it should now focus more on institutionalizing results-based management, reviews of programme and project implementation, decentralization and field representation, staff development and performance management.

20. Recent developments within and outside the United Nations system had underlined the need for more effective oversight and control mechanisms and the

need to enhance accountability in order to provide stakeholders with the necessary assurance that resources were being used efficiently. Taking those developments into account, along with concerns expressed by Member States and the External Auditor, the Director-General had proposed the recruitment of additional junior Professional staff with a reduction in support staff. Although the Office of the Comptroller General could continue to function with the current staffing levels, it needed additional resources if it was to fulfil its mandate effectively. Without those resources, a number of important functions, such as timely evaluations of technical cooperation activities and the full introduction of results-based management, would face delays.

21. **Mr. FORNOCALDO** (Managing Director, Division of Administration), referring to a question raised in a previous meeting, said that the budget for the second phase of the security enhancements covered the Vienna International Centre (VIC) as a whole and had been determined in full consultation with all the VIC-based organizations (VBOs). The phase II budget had therefore also been considered at a recent meeting of the Board of Governors of the International Atomic Energy Agency, where it had been approved without the inclusion of radio-frequency grounds passes.

22. Under UNIDO's Financial Regulations, the only options available to the Organization for financing the second phase of security enhancements were supplementary appropriations, voluntary contributions or utilization of the unencumbered balances of appropriations. No Member State had come forward with voluntary contributions and some had expressed their strong opposition to using the unencumbered balances.

23. Replacing the windows of the Vienna International Centre with shatter-resistant glass alongside the asbestos removal project was an opportunity that must not be missed: as the Austrian Government had agreed to bear the entire cost of asbestos removal, which included replacement of the window frames, it was estimated that the VBOs would save 40 to 50 per cent of the entire cost of window replacement if the two projects were carried out simultaneously.

24. While taking due note of the comments made by Member States and of the deliberations of the Board of Governors of the International Atomic Energy Agency in respect of radio-frequency grounds passes, he nonetheless deemed such passes, in the light of the recommendations made in that regard by the United Nations Office at Vienna, to be a necessary component of the security enhancements.

25. **Mr. SHIGEEDA** (Japan) said that, although Japan agreed that strengthening the activities of the Office of the Comptroller General and of the Organization as a whole was necessary, the budgetary

constraints of the Organization and the broader financial context must be taken into account. The morale and dedication of UNIDO's staff had been and would continue to be a key factor in the excellence of the work achieved by the Organization.

26. The **PRESIDENT** said that, aside from the election of the new Director-General, the budget was

perhaps the most important item on the Board's agenda. He therefore hoped that the spirit of cooperation that had been demonstrated by Member States with respect to the election would extend to the discussions on the programme and budgets, so that the Director-General designate might be provided with a budget that enabled him to do what Member States requested of him.

*The meeting rose at 1 p.m.*

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